

**SUBJECT:** Comments on Draft of OER Project 20.1776, Long-Term Trends in Supplies and Costs of Metals, Fuels, and Electric Power, USSR

**REFERENCE:** Memo from [REDACTED] OER/D/M, dated 30 July 1959

25X1A9a

**I. General comments.**

1. Although there is a great deal of information in this report, very little of it is susceptible of coordination by the Industrial Division. Statements concerned with power generating equipment, metallurgical equipment, and other specific types of equipment have been checked out as far as possible with the analysts who follow production of these items. In general, the analysts concur with the positions taken in this report concerning the past availability and probable future availability of such equipment to the Soviet materials and energy industries. With respect to future availability, judgment has necessarily been based more on past performance than on detailed data concerning production planned under the Seven Year Plan.

2. Despite recent short supplies of iron ore in the Soviet economy the rate of growth of machine building has not been appreciably affected, registering an annual increase of approximately 1% gross production each year during 1954-58. Specific types or shapes of metal may have been in short supply from time to time, but such shortages appear to have been due primarily to poor scheduling of production or distribution. Apparently machine building enjoys a high priority in the allocation of scarce resources.

3. In the discussion of increasing production through the addition of new capacity it is not always clear in the report whether the new capacities referred to are net or gross additions. Furthermore, although quantitative data are probably not available some mention should probably be made of the ability to increase capacity through replacement and modernization of equipment without any significant capital construction being involved. Since the official recognition of technological obsolescence in 1955, programs to replace equipment even before it is fully depreciated by more productive equipment have been inaugurated. This method of increasing capacity places the burden of the responsibility on the machine building industry rather than on the construction industry.

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**II. Specific comments.**

<p><u>Page</u></p> <p>iii-iv</p> <p>v and 1</p> <p>3</p>	<p>Pages missing</p> <p>Noncorresponding title in Table of Contents ("Summary") and on page 1 ("Summary and Conclusions")</p> <p>(Ending paragraph) Soviet foreign trade, in metallurgical equipment is significant and will remain an important factor affecting the ability of the USSR to meet the Seven Year Plan goals for the production of rolled steel and pipe. At the same time that the USSR is supplying or making commitments to supply metallurgical equipment to underdeveloped countries inside and outside the bloc, she is relying heavily on Czechoslovakia and East Germany for metallurgical equipment to meet domestic production requirements. Imports of metallurgical equipment from these 2 countries equaled about 20% of domestic Soviet production in 1955, 15% in 1956, and 21% in 1957. An even larger percentage is obtained when comparing imports and domestic production of rolling mill equipment alone: approximately 34% in 1955, 24% in 1956, and 36% in 1957. In 1955 the combined exports of rolling mill equipment from East Germany and Czechoslovakia to the USSR represented about 83% of their combined domestic production, in 1956, 69%, and in 1957, almost 90%.</p> <p>A major factor in recent failures to meet the planned goals for the production of rolling mill equipment has been the lack of sufficient productive capacity. The Ural Heavy Machine Building Plant at Sverdlovsk and the Novo-Kuznetsk Heavy Machine Building Plant at Kuznetsk, the only plants capable of producing most of the larger mills, have reportedly been overtasked with orders for heavy machinery and equipment other than metallurgical equipment. As compared with the production of 111,000 metric tons of rolling mill equipment in the peak year of 1956, the Seven Year Plan calls for production of 200,000 - 220,000 metric tons in 1965. Meanwhile there is little evidence that a significant amount of new production capacity is scheduled under the plan. The Alma-Ata Heavy Machine Building Plant is scheduled to be completed and modernized during 1959-65 but the extent to which capacity will increase has not been announced. Construction of the new rolling mill equipment plant at Petropavlovsk is now scheduled to begin in 1961 although preliminary construction work was reported to be in progress in 1956 following announcement of the Sixth Five Year Plan. Because the plans call for completion of only several preparatory and auxiliary shops by 1965, it is not likely that substantial benefits in the form of new productive capacity will be realized from this project during 1959-65.</p>
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For these reasons it appears that the USSR will have to rely heavily on imports of rolling mill equipment and/or specific steel slabs and pipe if the requirements of the economy are to be met. Unless exploitation of gas reserves is also postponed until the latter part of the seven year period, it is difficult to see how "a large part of the pipeline construction" can be deferred until the latter part of the period. Roughly a problem in raising the pipelines to the planned capacity will be the supplying of the required pumps and compressors in the face of heavy demand from the chemical industry for other types of equipment manufactured by the chemical equipment industry.

4 (First full paragraph) The responsible analyst is in agreement with statement concerning serial production of "large turbogenerators" although this term might be clarified by indicating the rated capacity specifically referred to and by changing the word "turbogenerators" to "turbines and generators." It is pointed out that the term "turbogenerator" is ambiguous in English in that it may refer either to a turbine and generator together or to a turbine-driven generator alone. Since the statement concerning serial production is equally applicable to both turbines and generators it might be well to so specify both here and in other passages dealing with this problem. Since turbines are not, properly speaking, electrical equipment it would be better to refer both here and elsewhere to the "power equipment industry" instead of the "electrical equipment industry."

11 (Fourth line from bottom) Typographical error (typo) in "capacity"

13 (First full paragraph) Will "the processing of petrochemicals" be the responsibility of the petroleum industry or the chemical industry? Only to the extent that it will be the responsibility of the petroleum industry will investments for capacity to process petrochemicals be reflected in the "investment per unit of output of crude oil refinery products."

15 (Last sentence) The use of more efficient equipment is mentioned twice within the same sentence.

16 (Second paragraph) The figures cited for the electrotechnical industry and machine building as a whole appear to be incomparable. The 70 percent figure for the electrotechnical industry includes not only raw and basic materials but also the Soviet category of auxiliary materials. In the case of machine building, raw and basic materials accounted for 49.4 percent of cost in 1955 but auxiliary materials accounted for an

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additional 4.9 percent. While data on the electrical equipment industry would include generators, electric motors, electric ovens, electric welding equipment, etc., they would not include turbines.

35 (Last line) Typo: "nickel".

43 (Seventh line from bottom of page) Typo: "became".

53 (Eleventh line from bottom) Rubles or dollars?

65 Next to last sentence does not make sense.

67 (First full paragraph, third sentence) See comment pertaining to page 4, specifically to turbogenerators.

67 (First full paragraph, last two sentences). Analyst feels that statement is oversimplified but concurs in general.

68 (Fourth line from top) "Goals" does not appear to be the proper word.

82 (First line) "Effect" instead of "effort"?

82 (Last full sentence and following sentence). Probably true, but we are not presently in a position to comment on this comparison.

97 (Ending paragraph, last two sentences). Probably true. Not in a position to verify.

104 (Seventh line from bottom) "Affliction" does not appear to be the proper word.

117 (Ending paragraph, last sentence) See comments pertaining to page 3.

121 (Paragraph under subheading "2") The design and production of new and improved types of underground coal mining equipment might also be mentioned. The program for coal mining machinery under the Seven Year Plan calls for the creation and series production of 350 new types of coal mining equipment and it is planned to double the productive capacity of Soviet coal mining equipment plants.

126-31 Pages are missing.

140 (Last paragraph, first sentence) Analyst concurs.

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- 141 Column 2 of Table 38 shows 60 units of 100 mw installed at the end of 1958. This figure does not coincide with Turboenergetika (no 3, 1959, p. 4) which states that 58 units of 100 mw had been installed at the time the article was written. If later data have appeared to justify the use of the 60 figure, we suggest that some change may have to be made in column 3 of the table, which shows planned installation in 1959-65, so that the figures will be compatible.
- 144 (First subparagraph "3" on) Probably a fair statement but does not consider imports. See comments pertaining to p. 4 in reference to use of term "turbogenerator". If you wish to refer to generators only in this report, the industry producing them should be referred to as the "electrotechnical industry" and not the "turbogenerator industry."
- 145 (First complete sentence) Unless you are in possession of data showing planned production for 1958, suggest you change the phrase "planned production" (sixth line from top) to "anticipated production." According to our calculations, production in 1958 was 0.6 million kw or 10.3 percent less than the anticipated production in 1958. Also suggest you specify "electric power industry" (ninth line from top) to avoid ambiguity.
- 147 (Last complete sentence) This statement is contradicted by data for crude oil and copper in Table 40.
- 167 (Second sentence) This sentence implies that the Ukraine and Ural Regions (III and VIII) were largest sources of electric power production in 1958. Table 47, however, shows the Central Region (VII) to have produced a greater percentage of the total than the Ukraine in 1958 (although production in kw-h was apparently the same for these two regions).
- 167 (Third sentence) Phrase "as is expected" appears to be unrelated to the rest of the sentence.
- 176 (First complete paragraph) Analyst concurs with statement but suggests inserting "and steel finishing between the words "steelmaking" and "capacity".
- 184 (First sentence) Responsible analyst agrees with statement concerning cost of fabricating and installing capacity in secondary refineries and petrochemical plants as compared with plants producing primary distillates.

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- 183 (Eighth line from bottom) Type: "lower octane", instead of "power  
octane."
- 191 (First paragraph, second sentence) Analyst concurs with statement.
- 194 (Last sentence) Analyst feels that delays in development of  
aluminum plants have not been primarily the result of the incapability  
of the equipment industry to produce suitable equipment but rather  
of plans to coordinate the production of equipment embodying the most  
advanced technology with construction of power stations and aluminum  
plants embodying modern efficiency and low cost production.
- 195 (Last paragraph) If it were stated that mine operations in the  
underground mining coal are still very poorly mechanized it might be  
clearer to the reader why productivity still remains low at mines  
"equipped with modern machinery." Suggest rephrasing last sentence to  
read: "Although obsolescence is a problem in the coal industry, it is  
doubtful whether even extensive modernization of extractive and  
processing equipment and facilities would result in sufficient  
benefits to reverse the trend from coal to petroleum in the Soviet  
economy."
- 199 (Last two sentences) Because initial capital construction costs are  
not "charged off" in the cost of output under the Soviet Khozraschet  
system it is believed that increases in amortization rates are  
connected with the recognition of technological obsolescence in  
machinery in 1955 and the higher costs of replacing relatively simple  
equipment with more complex (and more expensive) equipment rather than  
with construction costs
- 201 (Last sentence) Analyst concurs.
- 206 (Last sentence) Analyst concurs.
- 210 (Last paragraph) Analyst concurs.
- 227 (Last paragraph) See comments relating to page 16.
- 232 Share of coal in total fuel balance given as 59 percent in 1958 and  
42 percent in 1963 (page 239). Why not use these data instead of N.A.  
in Table 62.